PRIORITY

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SPACE

FOREIGN SERVICE DESPATCH

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FROM : AMEMBASSY GUATEMALA — 92 DESP. NO.

P790004-1189

TO : THE DEPARTMENT OF STATE, WASHINGTON Action Assigned to

REF :

Action Taken AUG 1 1953

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SUBJECT: Joint Weeka No. 31 for State, Army and Air from S Section 1.

Action Office Symbol

Name of Officer

News of the Korean armistice this week evoked characteristic responses from the major segments of Guatemalan opinion with the Government equivocally reiterating its faith in the United Nations while devoting its publicity resources to crediting the "World Peace Movement" with bringing about the truce; the Communists and their allies rapidly mobilizing to portray the armistice as a defeat for U.S. "imperialism" at the hands of the "Peace Movement"; and the opposition press remaining silent except for the country's leading newspaper El Imparcial which saw the development as an encouraging victory for the United Nations in repelling aggression.

The election of José FIGUERES as President of Costa Rica received without marked enthusiasm by Administration supporters whose views were probably reflected in a Nuestro Diario editorial stating his Administration would have Guatemala's friendship if he refrained from "interference" in Guatemala's internal affairs.

On the domestic scene, the arrest of Ricardo BARRERA, presumptive Deputy-elect in the contested Alta Verapaz elections, by the police on charges of sedition was popularly regarded as a crude maneuver to keep him from being seated in Congress and focused attention on low political morality in the Administration.

The wage dispute between the U.S.-owned Empresa Eléctrica and the union of its workers made little progress towards settlement as proceedings before the Labor Courts went forward slowly.

INTERNATIONAL

Korean Truce Receives Mixed Welcome: The official Government position on the Korean truce was recorded by Dr. Raúl OSEGUEDA, the Foreign Minister, in a message to the United Nations' Mexico City Information Office stating that Guatemala

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viewed the armistice with joy and maintained its faith in the United Nations as an organization of free men voluntarily united to prevent the scourge of war. However, the Government's Diario de Centro América editorially gave the major credit for achieving the truce to the pressure of the "world peace movement" and devoted its principal news columns to statements by leaders of the local National Peace Committee. Going further, Raúl LEIVA, Chief of the Press Section of the President's Information Office, wrote in Nuestro Diario that the truce represented a victory of the peace movement over the "warlike appetite of a great power", i.e. the United States.

Capitalizing on this official support, the Communists mobilized their resources for an extensive campaign to portray the armistice as a defeat of the U. S. "imperialism". When Congress met after the signing, Víctor Manuel GUTIERREZ, a leading Communist Deputy, rose to say that the armistice was a "resounding victory for the enormous world force of the Partisans of Peace because since the imperialist invasion of North Korea they had voiced their desires for peace, condemning the fight against the heroic North Korean people", and he was reportedly enthusiastically applauded by the Administration majority. The National Peace Committee issued the bulletin used by the Diario de Centro América to announce the armistice and the Communist-controlled CGTG called for a torchlight procession of "all democratic forces" to take place in Guatemala City on July 31. The Alliance of Guatemalan Women, the Alliance of Democratic Youth and other Communist-controlled "mass organizations" issued statements or held meetings to spread the party line.

Meanwhile the leading opposition newspaper El Imparcial ran a front page editorial on July 27 endorsing the view that the Korean War had ended with the obvious triumph of the Western powers which had achieved their initial purpose by stopping the aggressor without loss of territory, thus proving that the United Nations was strong enough to enforce respect for the rights of weak nations. The remainder of the opposition press, which had previously attacked the United States for allegedly abandoning Korea (Weeka 26), was silent and none of the opposition political groups raised their voices.

Reaction to Figueres Election: The election of José Figueres as President of Costa Rica was received without marked enthusiasm by Administration supporters in Guatemala. Foreign Minister Osegueda issued a brief statement praising the democratic manner in which the elections were carried out. However, the Administration circle's views and uncertainties were probably more accurately reflected in a lead editorial of Nuestro Diario on July 28 stating "Whatever political doctrine he sustains and whatever the means by which he applies it in the

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Costa Rican situation, we offer him our friendship and respect for his Administration, it being sufficient for us that the new President be loyal to the principle of non-intervention with respect to our economic and political achievements". This appeared to be a thinly veiled suggestion that the Guatemalan leftists would look to Figueres' policy towards the Organization of Central American States (ODECA) and its anti-Communist "Managua Resolution" for an indication of his attitude towards cooperation with Guatemala.

DOMESTIC

In an incident which focused attention on the progressive erosion in the thin layer of democratic processes in Guatemala, police this week arrested Ricardo Barrera, leading candidate for Deputy in the disputed Alta Verapaz elections, in what many Administration and opposition leaders alike regarded as a transparent attempt to keep him from being seated in Congress. Despite his long pro-Administration record, he was charged with complicity in the March uprising in Salamá (Weeka 17) but it was generally accepted that his real crime was to have bolted from the homicida Acción Revolucionaria (PAR) during the January 1959 Congressional elections and to have defeated the official PAR ticket as an "independent". The PAR has since successfully kept the National Electoral Board from certifying his election, but his arrest appeared as such an open and coarse maneuver that the Congress, PAR Deputies included, unanimously ordered an investigation. Barrera's running mate, René RUBIN, was simultaneously placed under police surveillance but not arrested because he enjoys immunity as a member of the Alta Verapaz Electoral Board.

The incident showed something of the erosive effect on the Guatemalan "revolutionary" movement of a continuing series of such developments in the past year as the carrying out of the Agrarian Reform Law without the restraint of judicial processes, the removal of Supreme Court Justices who dared question the Administration view that this was constitutional, the failure to punish police officials guilty of torturing political prisoners, and the progressive enrichment of officials who have access to public funds.

For the Ambassador:

William L. Krieg
Counselor of Embassy

cc: C. A. Missions and Routine

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 93 DESP. NO. — F790001-1192

TO : THE DEPARTMENT OF STATE, WASHINGTON. — July 31, 1953 DATE

REF : --

AUG 1 1953

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SUBJECT: WEEKA NO. 31 - ECONOMIC SECTION

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SECTION II

Problems concerning the Government's economic development program continued to receive attention in Guatemala this week. Sr. J. Roberto FANJUL, Minister of Economy, following last week's press criticism, hastened to assure industrialists that they would be consulted on the Arbenz Administration's industrial reform program, and the press reported a proposal of a United States firm to construct a new port at San José on the Pacific Coast. In the continuing search for additional revenues to finance the program, measures were taken to increase income from consular fees and to establish additional taxes on the manufacture of cigarettes. A budget allocation of $1,300,000 was made to purchase highway construction machinery.

Leftist and nationalist forces acquired new vantage points from which to influence Guatemala's economy when four of their number were appointed this week to the six-man Board of Directors of the Government's new National Agrarian Bank, which is designed to provide credit facilities for beneficiaries of agrarian reform. Further, Congress changed the method of designating members of the Advisory Board of the Central Coffee Office by providing that four members would be named by "national organizations of farmers and farm workers". Formerly these members were nominated by the conservative General Association of Agriculturists and the Chamber of Commerce. The way is now apparently open for nominations by the Communist-oriented labor organizations, CNCG and CGTG.

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GELarson:dkp (7/31/53)

Action Assigned Vinciletti

Action Taken

Date of Action 8-5-53

Action Office Symbol

Name of Officer Vinciletti

Direction of action taken

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Industrialization

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Last week's press criticism that industrialists were being ignored in the formulation of the Arbenz Administration's industrialization program prompted Sr. Fanjul, Minister of Economy, this week to explain to reporters that the press had been mistaken on that point and that as soon as the National Economic Council (CNE) completed its plans all appropriate sectors of the economy would be amply consulted. The official newspaper Diario de Centro América editorially supported Sr. Fanjul, saying that the CNE was developing preliminary plans to assure complete coverage of the problem and to give direction to the discussions.

Three sub-commissions have been named to study and report this week on phases of "industrial reform", as the program is now being termed: 1) "philosophy and objectives", 2) "repercussions and economic, financial, and social measures", 3) "priorities and protection".

Sr. Julio ESTRADA De La Hoz, Communist-oriented President of the Finance Committee of Congress, announced that concurrently with the CNE's activities his committee would hold hearings during the first week of August on industrial problems related to tariff policy and on industrial, commercial and agricultural credit problems. He said that his committee's hearings were necessary to further the Executive's program and that Congress would reform the customs tariff if necessary to solve industry's problems.

Other Economic Developments

The press reported this week that a new proposal had been made to the Guatemalan Government for the construction of a national port at San José on the Pacific Coast. A Mr. G. Chas. PROSPORA, President of the United States firm "Associated Enterprises, Inc.", general contractors, is said to have offered to bring engineers to Guatemala at his firm's expense to make a survey preliminary to signing a contract. No indication was given of the degree of Government interest, but considering the extent of existing commitments it hardly seems feasible for the Government to embark on this additional project in the immediate future.

Continuing pressure for additional revenues to finance the Arbenz Administration's economic development program

undoubtedly prompted the issuance of a decree modifying the Guatemalan tariff to provide for the payment of the 6 percent consular fee on the c.i.f. rather than on the f.o.b. value of imports as heretofore. The press also reported that for the same reason a bill had been proposed in Congress raising taxes on the manufacture of cigarettes.

The first budget decree of the 1953-4 fiscal year was issued this week transferring $545,000 from the Roosevelt Highway appropriation and $755,000 from the Champerico-Retalhuleu-Mahualate highway appropriation to provide for the purchase of $1,300,000 of new highway construction equipment. There was no indication as to whether as a result funds for actual construction materials would be left short or whether the machinery would be used on these same projects.

National Agrarian Bank

The leftist orientation of the National Agrarian Bank (WEEKA No. 28) seemed assured with the announcement this week that its first Board of Directors would include: 1) Alfonso BAUER Paiz, President and General Manager (leftist ex-Minister of Economy of the last two and one-half years of the Arévalo Administration); 2) Raúl SIERRA Franco, Vice President (Director General of Statistics); 3) Efraín CASTILLO, representative of the Monetary Board (a Ministry of Economy adviser and its representative on the National Agrarian Council); 4) Ernesto CAPUANO, representative of the National Agrarian Department (Member of the PRG, running mate of Communist José Manuel FORTUNY in the January 1953 Congressional elections, referred to by the independent press as a Communist); 5) Felicito CARRANZA, representative of the Communist-influenced National Farm Workers Confederation (CNCG); and 6) José Luis CACEROS, representative of the Communist-dominated Guatemalan Confederation of Labor (CGTG).

Central Coffee Office

The press reported this week that a move was under way in Congress to reorganize the Advisory Board of the Central Coffee Office to include representation of organizations of farmers and farm workers, a step suggesting increased leftist influence in the operation of this office.

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With the dissolution of the National Farms and the transfer on June 30 of its industrial and commercial establishments to the Production Development Institute (INFOP) a change was necessitated in the composition of the coffee board. In the process, Communist Deputy Carlos Manuel PELLECER and Deputy Julio Estrada de la Roz proposed that in consonance with the growing importance of new small farmers under the Agrarian Reform Law they should also participate in the direction of the Office. Consequently, a decree was approved providing that the four members formerly designated by the General Association of Agriculturists (AGA) and the Chamber of Commerce would be selected from names proposed by "national organizations of farmers and farm workers". The independent press pointed to the obvious intent to cut out the conservative AGA, which has not collaborated with agrarian reform to the Government's satisfaction.

Chicle

The Government was preparing this week to give long overdue recognition to fundamental factors in the chicle business in a bill sent to Congress to reduce the export tax from $20 to $5 per 100 pounds. The high tax priced the Guatemalan product out of the market, and, consequently, the Production Development Institute (INFOP) has a carry-over from the 1952-3 harvest of some 300,000 pounds of Government-financed chicle (WEEKA No. 24). With the market at about $66 per hundred, the Government has no alternative but to lower its $83 asking price if it wishes to sell the chicle.

For the Ambassador:

William L. Krieg
Counselor of Embassy

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